NOVEMBER 2024 – MONTHLY UPDATE

FORTITUDE FOCUS

Investment Department

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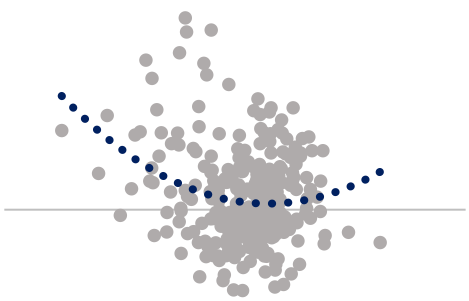
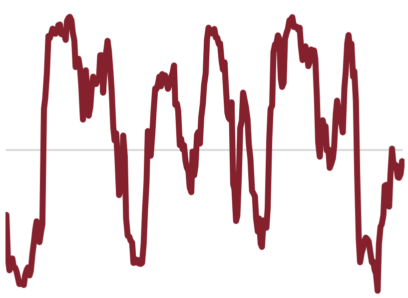
THE STORY

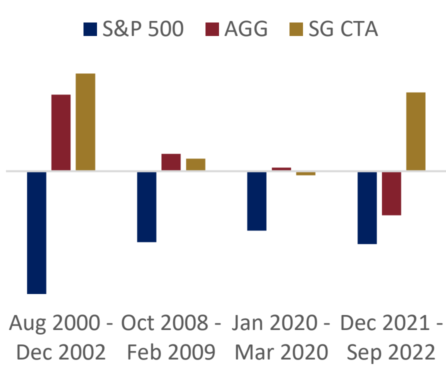
The 'Smile': S&P vs. CTA[1]



1Y Correlation: S&P vs. CTA[2]



Crisis Alpha[3]



[1]Source: Calculated internally using 1M rolling returns of the S&P 500 and SG CTA indices with Morningstar Direct data.

[2]Source: Calculated internally using the 1Y rolling returns of the S&P 500 and SG CTA indices with Morningstar Direct data.

[3]Source: Calculated internally using monthly returns for the S&P 500, Bloomberg Agg Bond, and SG CTA indices.

MANAGED FUTURES: HOW DIVERSIFIERS CREATE VALUE

While 'return enhancers' like private equity and credit dominate the conversation around alternative assets, we should not forget about their risk-reducing counterparts — 'diversifiers'.

Managed futures (or "CTA") strategies are a prime example. These funds operate under the simple assumption that human behavior causes price trends to persist longer than expected. As such, they use liquid futures contracts to go long rising assets and short declining ones.

While these managers may rely on sophisticated proprietary signals to execute their trend following systems, their ultimate return profiles share several important characteristics.

First, they exhibit a convex payoff structure ('Smile') as the strategy naturally benefits from large, sustained trends in either direction.

Second, because they trade both up and down swings across countless assets & timescales, their average correlation to traditional markets is near zero.

Lastly, while they're low-correlated in most environments, they often serve as conditional complements when it counts. This is because managed futures tend to deliver their strongest returns during times of panic or inflation (a.k.a. "crisis alpha").

Differentiating return streams like this play a crucial role in well-diversified portfolios. Remember, the goal of diversifiers is not to maximize returns, but to reduce risk. That way we can better navigate market volatility to more confidently capture the rewards.

UPCOMING EVENTS

FOMC Meeting– 11/7

CPI Release– 11/13

Market Holiday – 11/28

"The purpose of diversification is not to improve performance, but to reduce risk."

- David Swensen

WHAT HAPPENED?

EU Imposes Tariffs On Chinese EVs: The European Union is set to impose tariffs on electric vehicles imported from China to protect its automotive industry, citing concerns over unfair pricing practices. This decision aims to support the growth of domestic EV production. (AP).

Tesla Jumps +21% On Earnings: Tesla reported strong earnings for the third quarter, exceeding expectations with significant revenue growth. The company attributed its success to increased vehicle deliveries and production efficiency. (Reuters).

Costly Dockworker Strike Quickly Resolved: A backlog of ships was building at U.S. ports as the dockworker strike entered its third day, with JP Morgan estimating it was costing the economy $5 billion per day. The strike was resolved under pressure from the White House and efforts supporting the hurricane recovery (Reuters).

Alibaba Settles $433.5M Lawsuit: The settlement aims to resolve claims that the company misled investors about its business operations and performance (WSJ).

EQUITIES DECLINED

US equity markets fell in October with the S&P 500 -0.9%. Global ex-US equity markets declined further with the MSCI World ex-US Index -5.2%.

	MONTH*	YTD*
US Large	-0.9%	21.0%
US Mid	-0.7%	12.7%
US Small	-2.6%	6.4%
Global ex-US	-5.2%	6.9%
Int'l Dev	-5.4%	6.8%
Emerging	-4.4%	11.7%

ALTERNATVIES WERE MIXED

Alternatives were mixed as credit continued to produce stable, high yield income while diversifier asset classes experienced declines.

	MONTH*	YTD*
Gold	3.8%	32.0%
Merger Arbitrage	-0.3%	5.0%
Infrastructure	-2.1%	18.6%
Direct Lending	0.9%	10.6%
Hedge Funds*	0.8%	9.0%
Managed Futures	-5.0%	-7.1%

Due to reporting lags, some data represents the latest return as of the month prior to this period.

FIXED INCOME SLIPPED

Fixed income markets slipped in October as rates reversed higher pushing the Bloomberg Agg Index down over -2.5% in the period.

	MONTH*	YTD*
Ultra-Short	0.4%	4.6%
Short	-0.6%	3.5%
Core	-2.5%	1.9%
Long	-5.4%	-3.5%
High Yield	-0.5%	7.4%
US TIPS	-1.8%	3.2%
Intl Bonds	-3.4%	0.1%
EM Bonds	-2.1%	5.2%

*Sources: Each asset class is represented by a corresponding index or fund as of each report's month-end date. The associated indexes can be found below. This has been provided for informational purposes only, and reflects the current opinion of the author, which is subject to change without notice, as are statements of financial trends, which are based on current conditions.

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Model index performance does not represent actual performance and should not be construed as an indication of such performance. The model index performance results do not represent the impact that material economic and market factors might have had on the management decision-making process compared to actually managing client money during that period. Model performance also differs from actual performance because it is achieved through the retroactive application of an asset allocation designed with the benefit of hindsight.

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Illiquid Investments. Illiquid investments may not be suitable for all clients. Investors in illiquid investments must qualify for these investments based on suitability criteria, and they must complete subscription documents.

Reference Above	Benchmark Index	Reference Above	Benchmark Index
US Large	S&P 500 Index	Hedge Funds	Eurekahedge Hedge Fund NR Index
US Mid	S&P 400 Index	Managed Futures	Credit Suisse Mgd Futures Liquid TR
US Small	S&P 600 Index	Ultra-Short	Bloomberg US Treasury Flt Rate Index
Global ex-USA	MSCI World ex-USA All Cap NR Index	Short	ICE US Treasury 1-3Y Bond Index
Intl Dev	MSCI EAFE NR USD Index	Core	Bloomberg Aggregate Bond Index
Emerging	MSCI EM NR US Index	Long-Term	ICE US Treasury +20Y Bond Index
Gold	S&P GSCI Gold TR	High Yield	Bloomberg US Corporate HY Index
Merger Arbitrage	IQ Hedge Merger Arb TR USD Index	US TIPS	ICE US Treasury Inflation Linked Index
Infrastr (Infrastructure)	MSCI ACWI Infrastructure NR Index	Intl Bonds	Bloomberg Global Agg ex-USD Index
Direct Lending	Cliffwater Corporate Lending I	EM Bonds	Morningstar EM BD GR Index